



Anthony M. Alessi
Director
Federal Relations

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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**

April 14, 1999

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
The Portals
445 12th Street, SW
Washington, DC 20554

RE: Ex Parte Statement
CC Docket 98-81/ASD 98-64, CC Docket 96-150,
CC Docket 98-117 and CC Docket 98-137/ASD 98-91

Dear Ms. Salas:

On Tuesday, April 13, 1999, Robin Gleason, Director – Regulatory Finance, Jim Deignan, Director – Regulatory Accounting Issues and I met with Lisa Zaina, Associate Bureau Chief, Common Carrier Bureau, Bill Bailey, Special Counsel, Common Carrier Bureau, and Andy Multz, Chief, Legal Branch, Accounting Safeguards Division to discuss regulatory accounting reform in the above referenced dockets. The attached material was used as part of our discussion.

Sincerely,

A handwritten signature in black ink that reads "Anthony M. Alessi". The signature is written in a cursive style with a large initial "A" and "M".

Attachment

Cc: Lisa Zaina
Bill Bailey
Andy Multz

PHASED APPROACH TO REGULATORY ACCOUNTING REFORM

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**Federal Communications Commission
Office of Secretary**

**Ameritech
April 13, 1999**

The Commission Should Revise and/or Eliminate Unnecessary Accounting and Reporting Regulations

- Numerous Commission rulemaking proceedings are currently either pending or planned through which much needed regulatory reform can be accomplished through revisions and/or elimination of unneeded accounting and cost allocation rules, depreciation rules, and ARMIS reporting requirements.
- Price cap regulation without detailed accounting rules provides adequate protection of the public interest. Furthermore, the growth of competitive pressures in the dynamic telecommunications marketplace warrant significant revisions and elimination of unnecessary accounting rules.
- Ameritech and others within the industry have submitted on the record detailed proposals and supporting documentation for regulatory accounting reform that enables the Commission to take specific action without further delay. (See Ameritech Ex Parte of December 16, 1998 in CC Docket No. 98-81.)
- To the extent that the Commission is contemplating a phased approach to regulatory accounting reform, the following charts delineate specific recommendations.

Part 32 Accounting

FCC Docket 98-81 NPRM

FCC Phased Proceedings

<u>FCC Proposal For Large ILECs:</u>	<u>Ameritech Accounting Reform Proposals:</u>
<ul style="list-style-type: none"> • Consolidate six accounts into two accounts for all carriers. <ul style="list-style-type: none"> – Account 2114 – Special purpose vehicles – Account 2115 – Garage work equipment – Account 2116 – Other work equipment – Account 6114 – Special purpose vehicle expense – Account 6115 – Garage work equipment expense – Account 6116 – Other work equipment expense • Eliminate public telephone revenue account (5010). • Revise three year revenue forecast to a one year revenue forecast, when companies request to adopt new FASB standards. • Eliminate telecommunications plant acquired journal entry submissions. 	<p>Docket 98-81 Order*</p> <ul style="list-style-type: none"> • Adopt NPRM proposals for large ILECs. <p>Phase One (1999)</p> <ul style="list-style-type: none"> • Eliminate expense matrix. • Eliminate notification requirements for prior period adjustments and contingent liabilities, property held for future use, and the establishment of temporary accounts. <p>Phase Two (2000)</p> <ul style="list-style-type: none"> • Adopt Class B accounting. • Continuing property record simplification and the elimination of pre-approval for property record changes. • Move to full reliance on GAAP accounting with specific timeframes.

*Concurrent adoption of SOP 98-1, Accounting for Software, effective January 1, 1999.

Part 64 Affiliate Transactions and CAM Requirements

FCC Docket 98-81 NPRM

FCC Phased Proceeding

<u>FCC Proposal For Large ILECs:</u>	<u>Ameritech Part 64 Reform Proposals:</u>
<ul style="list-style-type: none">• No changes proposed for large ILECs.	<p>Phase One (1999)</p> <ul style="list-style-type: none">• Use FDC valuation for telco sales to service companies.*• Adopt dollar threshold of \$250k for performing EFMV studies.*• Adopt biennial CAM audit requirement for large ILECs.• Eliminate CAM (1) quantification requirements (2) 15 day preapproval (3) RAO 19 product matrix requirement. <p>Phase Two (2000)</p> <ul style="list-style-type: none">• Adopt Class B CAM.• Streamline valuation standards for affiliate transactions.

* Subject to Petitions For Reconsideration in CC Docket 96-150. The FCC can and should act on these matters immediately.

Accounting and ARMIS Reporting Requirements

FCC Docket 98-117 NPRM

FCC Phased Proceedings

<u>FCC Proposal For Large ILECs:</u>	<u>Ameritech ARMIS Reform Proposals:</u>
<ul style="list-style-type: none">• Eliminate paper filing requirements for all carriers.• Eliminate Equal Access, Payphone, and Inside Wire columns for all carriers.	<p>Docket 98-117 Order</p> <ul style="list-style-type: none">• Eliminate selected 43-02, financial report, schedules (C-1 through C-5, B-2, B-7, B-11, B-14, B-15, and I-3 through I-7).• No expansion of ARMIS reporting.* <p>Phase One</p> <ul style="list-style-type: none">• Eliminate usage forecasts for 495A. Use actual results. <p>Phase Two</p> <ul style="list-style-type: none">• Adopt Class B ARMIS.• Streamline ARMIS reports as proposed by USTA in CC Docket 98-117.<ul style="list-style-type: none">– Replace financial reports 43-01 through 43-04 with a single new annual report 43-00.– Streamline 43-05 through 43-08 operational reports.

* Note: The FCC has initiated two Public Notices (ASD 98-22 and ASD 98-23) which propose expanding the ARMIS 43-05, 43-06, and 43-07 reports.